

OSAGE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Osage Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2007 Election)</b>		
Angela Nasstrom	President	2008
Rae Anne Havig	Vice President	2008
Konnie Snider	Board Member	2007
Neil Wubben	Board Member	2009
Karla Mitchell	Board Member	2009

**Board of Education**  
**(After September 2007 Election)**

Angela Nasstrom	President	2008
Rae Anne Havig	Vice President	2008
Konnie Snider	Board Member	2011
Neil Wubben	Board Member	2009
Karla Mitchell	Board Member	2009

**School Officials**

Stephen Williams	Superintendent	2008
Sue Brandau	District Board Secretary (Resigned June 2008)	2008
Helen Burrington	District Board Secretary (Appointed June 2008)	2008
Connie Jensen	District Treasurer	2008
Aaron Murphy	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District, Osage, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2009 on our consideration of Osage Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osage Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (not presented herein) and expressed an unqualified opinion on those financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Osage Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,037,961 in fiscal 2007 to \$8,385,764 in fiscal 2008, while General Fund expenditures increased from \$8,150,762 in fiscal 2007 to \$8,549,803 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$155,735 in fiscal 2007 to a deficit \$8,304 in fiscal 2008, a 105.33% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property taxes and state grant revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District received \$556,887 in local option sales and service tax during the year.
- The District showed an increase of 10.1 resident students on line 1 of the October 2007 Certified Enrollment count.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Osage Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osage Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osage Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Osage Community School District Annual Financial Report**

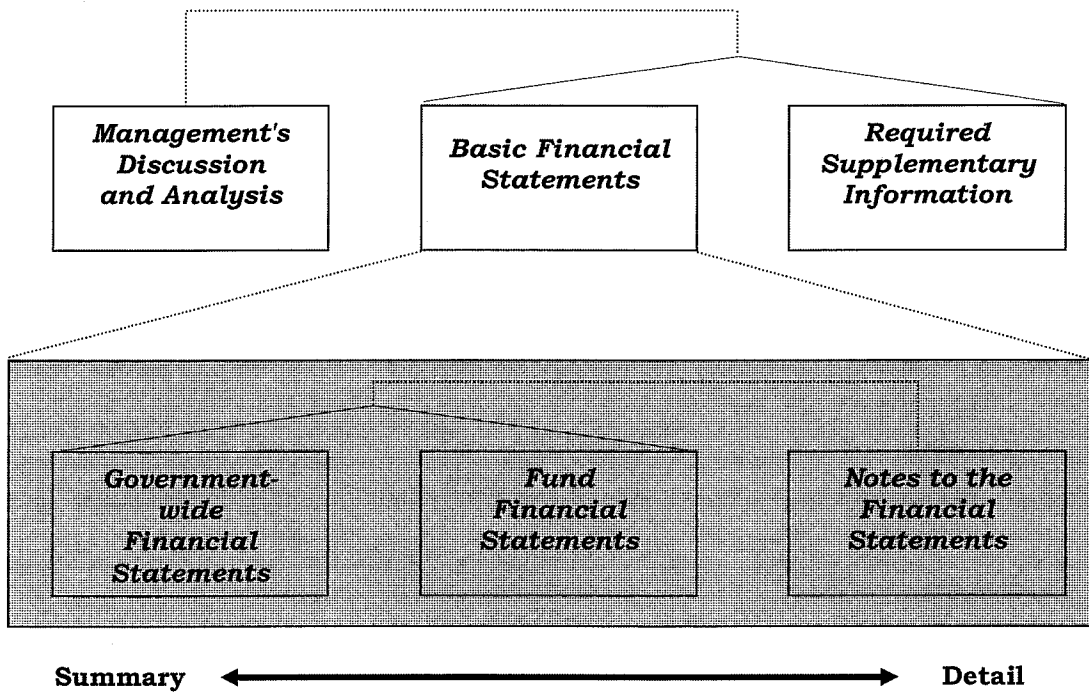


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service fund, one type of proprietary fund, is the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

a. Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 8,265,886	7,528,765	48,555	40,950	8,314,441	7,569,715	9.84%
Capital assets	8,121,631	6,616,877	49,624	55,257	8,171,255	6,672,134	22.47%
Total assets	16,387,517	14,145,642	98,179	96,207	16,485,696	14,241,849	15.76%
Long-term liabilities	3,054,607	2,166,210	0	0	3,054,607	2,166,210	41.01%
Other liabilities	6,167,123	5,638,385	20,534	10,423	6,187,657	5,648,808	9.54%
Total liabilities	9,221,730	7,804,595	20,534	10,423	9,242,264	7,815,018	18.26%
Net assets:							
Invested in capital assets, net of related debt	6,071,980	5,555,211	49,624	55,257	6,121,604	5,610,468	9.11%
Restricted	1,561,965	581,141	0	0	1,561,965	581,141	168.78%
Unrestricted	(468,158)	204,695	28,021	30,527	(440,137)	235,222	-287.12%
Total net assets	\$ 7,165,787	6,341,047	77,645	85,784	7,243,432	6,426,831	12.71%

The District's combined net assets increased by 12.71% or \$816,601 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$980,824 or 168.78% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$675,359 or 287.12%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 757,915	894,505	264,371	244,689	1,022,286	1,139,194	-10.26%
Operating grants and contributions and restricted interest	1,072,595	1,002,686	156,465	143,124	1,229,060	1,145,810	7.27%
Capital grants and contributions and restricted interest	5,000	25,289	0	0	5,000	25,289	-80.23%
General revenues:							
Property tax	2,928,402	3,119,749	0	0	2,928,402	3,119,749	-6.13%
Income surtax	125,921	91,221	0	0	125,921	91,221	38.04%
Local option sales and service tax	556,887	664,464	0	0	556,887	664,464	-16.19%
Unrestricted state grants	3,996,383	3,780,886	0	0	3,996,383	3,780,886	5.70%
Other	302,436	223,421	452	798	302,888	224,219	35.09%
Transfers	(1,500)	0	1,500	0	0	0	0.00%
Total revenues	9,744,039	9,802,221	422,788	388,611	10,166,827	10,190,832	-0.24%
Program expenses:							
Governmental activities:							
Instructional	6,393,640	6,224,834	0	0	6,393,640	6,224,834	2.71%
Support services	1,875,059	2,447,600	272	2,730	1,875,331	2,450,330	-23.47%
Non-instructional programs	0	0	430,655	389,318	430,655	389,318	10.62%
Other expenses	650,600	820,785	0	0	650,600	820,785	-20.73%
Total expenses	8,919,299	9,493,219	430,927	392,048	9,350,226	9,885,267	-5.41%
Change in net assets	824,740	309,002	(8,139)	(3,437)	816,601	305,565	167.24%
Net assets beginning of year	6,341,047	6,032,045	85,784	89,221	6,426,831	6,121,266	4.99%
Net assets end of year	\$ 7,165,787	6,341,047	77,645	85,784	7,243,432	6,426,831	12.71%

In fiscal 2008, property tax and unrestricted state grants account for 71.07% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.54% of the revenue from business type activities.

The District's total revenues were approximately \$10.17 million of which approximately \$9.75 million was for governmental activities and \$0.42 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.24% in revenues and a 5.41% decrease in expenses.

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## Governmental Activities

Revenues for governmental activities were \$9,744,039 and expenses were \$8,919,299.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 6,393,640	6,224,834	2.71%	4,902,158	4,659,296	5.21%
Support services	1,875,059	2,450,330	-23.48%	1,869,842	2,434,529	-23.19%
Other expenses	650,600	820,785	-20.73%	311,789	476,914	-34.62%
Totals	\$ 8,919,299	9,495,949	-6.07%	7,083,789	7,570,739	-6.43%

- The cost financed by users of the District's programs was \$757,915.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,077,595.
- The net cost of governmental activities was financed with \$3,054,323 in local tax, \$556,887 in local option sales and service tax, \$3,996,383 in unrestricted state grants and \$208,294 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$422,788 and expenses were \$430,927. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Osage Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,934,898, above last year's ending fund balances of \$1,718,712. This increase is primarily due to the proceeds of the revenue bonds being placed in the Capital Projects Fund.

## Governmental Fund Highlights

- The District's General Fund balance decreased from \$155,735 on June 30, 2007 to a deficit \$8,304 on June 30, 2008. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in the state grant and tax revenues during the year resulted in an increase in total revenues. Revenues were exceeded by expenditures ensuring the decrease in the District's financial position.
- The Capital Projects fund balance increased during the current year, from \$1,306,164 to \$1,502,916. This increase was the result of the District issuing an additional \$1,100,000 in revenue bonds for upcoming construction projects.

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### **Proprietary Fund Highlights**

The Enterprise Funds net assets decreased from \$85,784 at June 30, 2007 to \$77,645 at June 30, 2008, representing a decrease of approximately 9.49%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$129,913 more than budgeted revenues, a variance of 1.30%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

During the year ended June 30, 2008, the District amended its budget one time increasing total expenditures by \$975,345. In spite of the District's budgetary practice and budget amendment, the certified budget was exceeded in the non-instructional programs function due to timing of expenditures at year end.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$8,171,255, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 18.35% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$420,808.

The original cost of the District's capital assets was \$12,875,402. Governmental funds account for \$12,711,379 with the remainder of \$164,023 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$477,356 at June 30, 2007, compared to \$1,906,544 reported at June 30, 2008. This increase is due to the following projects that were either completed or almost completed during the fiscal year.

The District completed a major energy saving project in all four school buildings. Segments of the projects included energy efficient lights in all buildings, computerized controls for the heating systems, and repairs to the unit ventilators. The District also started construction on the new weightroom facility at the high school and new District bus facility. The normal summer projects completed were the continuation of the Lincoln Elementary roof project, a renovation to the family consumer science kitchen, and new bleachers at the football field.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 422,000	422,000	0	0	422,000	422,000	0.00%
Construction in progress	1,906,544	477,356	0	0	1,906,544	477,356	74.96%
Buildings	4,934,567	4,724,518	0	0	4,934,567	4,724,518	4.26%
Improvements other than buildings	108,734	91,060	0	0	108,734	91,060	16.25%
Machinery and equipment	749,786	901,943	49,624	55,257	799,410	957,200	-19.74%
Total	\$ 8,121,631	6,616,877	49,624	55,257	8,171,255	6,672,134	18.35%

### Long-Term Debt

At June 30, 2008, the District had \$3,054,607 in other long-term debt outstanding. This represents an increase of 41.0% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 300,000	445,000	-32.6%
Revenue bonds	1,620,000	520,000	211.5%
Energy loan notes	835,000	835,000	0.0%
Compensated absences	2,601	886	193.6%
Early retirement	297,006	365,324	-18.7%
Total	\$ 3,054,607	2,166,210	41.0%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment fluctuations may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.
- Continued budget concerns at state level will affect future projections. After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts; however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

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- All District employees qualify for participation in the Iowa Public Employees Retirement System(IPERS). Both the District and its employees contribute to this fund. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. Given this fact, additional contributions have been required by the General Assembly. The legislation increased IPERS contribution rates 0.5 percent per year for four years and restricts certain practices and benefits to control benefit costs. The increases begin July 1, 2007.
  - As student enrollment projections for the District are accurate the District will have a major decline in enrollment over the next three years. This decline will have a negative impact on the financial health of the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Helen Burrington, District Board Secretary, Osage Community School District, 820 Sawyer Drive, Osage, Iowa, 50461.

## BASIC FINANCIAL STATEMENTS



OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Osage Education Foundation
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP (Note 5)	\$ 1,759,594	0	1,759,594	0
Other	2,972,992	30,465	3,003,457	234,168
Receivables:				
Property tax:				
Delinquent	41,151	0	41,151	0
Succeeding year	3,155,704	0	3,155,704	0
Income surtax	182,040	0	182,040	0
Accounts	9,222	0	9,222	0
Accrued ISCAP interest (Note 5)	11,530	0	11,530	0
Due from other governments	133,653	18	133,671	0
Inventories	0	18,072	18,072	0
Capital assets, net of accumulated depreciation (Note 6)	8,121,631	49,624	8,171,255	0
<b>Total Assets</b>	<b>16,387,517</b>	<b>98,179</b>	<b>16,485,696</b>	<b>234,168</b>
<b>Liabilities</b>				
Accounts payable	178,607	0	178,607	0
Salaries and benefits payable	1,024,659	9,863	1,034,522	0
Accrued interest payable	26,563	0	26,563	0
ISCAP warrants payable (Note 5)	1,749,000	0	1,749,000	0
ISCAP interest payable (Note 5)	11,335	0	11,335	0
ISCAP unamortized premiums payable	21,255	0	21,255	0
Deferred revenue:				
Succeeding year property tax	3,155,704	0	3,155,704	0
Unearned revenues	0	10,671	10,671	0
Long-term liabilities (Note 7):				
Portion due within one year:				
General obligation bonds	145,000	0	145,000	0
Revenue bonds	75,000	0	75,000	0
Capital loan notes	80,000	0	80,000	0
Early retirement	66,253	0	66,253	0
Compensated absences	2,601	0	2,601	0
Portion due after one year:				
General obligation bonds	155,000	0	155,000	0
Revenue bonds	1,545,000	0	1,545,000	0
Energy loan notes	755,000	0	755,000	0
Early retirement	230,753	0	230,753	0
<b>Total Liabilities</b>	<b>9,221,730</b>	<b>20,534</b>	<b>9,242,264</b>	<b>0</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,071,980	49,624	6,121,604	0
Restricted for:				
Scholarships	0	0	0	56,561
Beginning teacher mentoring	4,809	0	4,809	0
Salary improvement program	20	0	20	0
Additional teacher contract day	3,044	0	3,044	0
Market factor	6,539	0	6,539	0
Market factor incentives	6,912	0	6,912	0
Talented and gifted	89,674	0	89,674	0
Professional development	119	0	119	0
Non-public transportation aid	5,217	0	5,217	0
Non-public textbook aid	1,273	0	1,273	0
Physical plant and equipment levy	46,267	0	46,267	0
Capital projects	797,567	0	797,567	0
Debt service	124,718	0	124,718	0
Other special revenue purposes	206,784	0	206,784	0
Unrestricted	(468,158)	28,021	(440,137)	177,607
<b>Total Net Assets</b>	<b>\$ 7,165,787</b>	<b>77,645</b>	<b>7,243,432</b>	<b>234,168</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Component Unit Osage Education Foundation	
					Govern- mental Activities	Business- Type Activities		
								Total
Functions/Programs								
Governmental activities:								
Instruction:								
Regular instruction	\$ 3,884,341	244,164	684,089	0	(2,956,088)	0	(2,956,088)	
Special instruction	1,180,380	114,324	49,478	0	(1,016,578)	0	(1,016,578)	
Other instruction	1,328,919	399,427	0	0	(929,492)	0	(929,492)	
	6,393,640	757,915	733,567	0	(4,902,158)	0	(4,902,158)	
Support services:								
Student services	145,048	0	0	0	(145,048)	0	(145,048)	
Instructional staff services	216,765	0	0	0	(216,765)	0	(216,765)	
Administration services	564,489	0	0	0	(564,489)	0	(564,489)	
Operation and maintenance of plant services	650,284	0	0	0	(650,284)	0	(650,284)	
Transportation services	298,473	0	5,217	0	(293,256)	0	(293,256)	
	1,875,059	0	5,217	0	(1,869,842)	0	(1,869,842)	
Other expenditures:								
Facilities acquisitions	0	0	0	5,000	5,000	0	5,000	
Long-term debt interest	85,653	0	0	0	(85,653)	0	(85,653)	
AEA flowthrough	333,811	0	333,811	0	0	0	0	
Depreciation(unallocated)*	231,136	0	0	0	(231,136)	0	(231,136)	
	650,600	0	333,811	5,000	(311,789)	0	(311,789)	
Total governmental activities	8,919,299	757,915	1,072,595	5,000	(7,083,789)	0	(7,083,789)	
Business-Type activities:								
Support services:								
Operation and maintenance of plant services	272	0	0	0	0	(272)	(272)	
Non-instructional programs:								
Nutrition services	430,655	264,371	156,465	0	0	(9,819)	(9,819)	
Total business-type activities	430,927	264,371	156,465	0	0	(10,091)	(10,091)	
Total primary government	\$ 9,350,226	1,022,286	1,229,060	5,000	(7,083,789)	(10,091)	(7,093,880)	
Total component unit	\$ 2,081,589	0	26,052	1,876,736			(178,801)	
General Revenues and Transfers:								
Property tax levied for:								
General purposes					\$ 2,830,389	0	2,830,389	
Debt service					14,132	0	14,132	
Capital outlay					83,881	0	83,881	
Income surtax					125,921	0	125,921	
Local option sales and services					556,887	0	556,887	
Unrestricted state grants					3,996,383	0	3,996,383	
Unrestricted investment earnings					208,294	452	208,746	
Other					94,142	0	94,142	
Transfers					(1,500)	1,500	0	
Total general revenues and transfers					7,908,529	1,952	7,910,481	
Changes in net assets					824,740	(8,139)	816,601	
Net assets beginning of year					6,341,047	85,784	6,426,831	
Net assets end of year					\$ 7,165,787	77,645	7,243,432	
							234,168	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,759,594	0	0	1,759,594
Other	1,044,521	1,478,102	441,981	2,964,604
Receivables:				
Property tax:				
Delinquent	37,991	0	3,160	41,151
Succeeding year	2,918,645	0	237,059	3,155,704
Income surtax	109,224	0	72,816	182,040
Interfund	4,387	0	0	4,387
Accounts	9,222	0	0	9,222
Accrued ISCAP interest(Note 5)	11,530	0	0	11,530
Due from other governments	32,899	100,754	0	133,653
<b>Total Assets</b>	<b>\$ 5,928,013</b>	<b>1,578,856</b>	<b>755,016</b>	<b>8,261,885</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	0	4,387	4,387
Accounts payable	102,667	75,940	0	178,607
Salaries and benefits payable	1,024,191	0	468	1,024,659
ISCAP warrants payable(Note 5)	1,749,000	0	0	1,749,000
ISCAP interest payable(Note 5)	11,335	0	0	11,335
ISCAP unamortized premiums payable	21,255	0	0	21,255
Deferred revenue:				
Succeeding year property tax	2,918,645	0	237,059	3,155,704
Income surtax	109,224	0	72,816	182,040
Total liabilities	5,936,317	75,940	314,730	6,326,987
Fund balances:				
Reserved for:				
Construction	0	705,349	0	705,349
Debt service	0	0	124,718	124,718
Beginning teacher mentoring	4,809	0	0	4,809
Salary improvement program	20	0	0	20
Additional teacher contract day	3,044	0	0	3,044
Market factor	6,539	0	0	6,539
Market factor incentives	6,912	0	0	6,912
Talented and gifted	89,674	0	0	89,674
Professional development	119	0	0	119
Non-public transportation aid	5,217	0	0	5,217
Non-public textbook aid	1,273	0	0	1,273
Unreserved fund balances	(125,911)	797,567	315,568	987,224
Total fund balances	(8,304)	1,502,916	440,286	1,934,898
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,928,013</b>	<b>1,578,856</b>	<b>755,016</b>	<b>8,261,885</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 1,934,898

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in the governmental funds. 8,121,631

Blending of the Internal Service Fund to be reflected on  
 an entity-wide basis. 8,388

Accrued interest payable on long-term liabilities is  
 not due and payable in the current period and, therefore,  
 is not reported as a liability in the governmental funds. (26,563)

Accounts receivable income surtax, is not yet available  
 to finance expenditures of the current fiscal period. 182,040

Long-term liabilities including general obligation bonds payable,  
 revenue bonds payable, capital loan notes payable,  
 early retirement payable and compensated absences are not due  
 and payable in the current period and, therefore, are not reported  
 in the funds. (3,054,607)

Net assets of governmental activities (page 14) \$ 7,165,787

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,748,580	556,887	298,119	3,603,586
Tuition	284,780	0	0	284,780
Other	300,027	59,851	437,097	796,975
Intermediate sources	13,500	0	0	13,500
State sources	4,808,958	0	197	4,809,155
Federal sources	229,919	0	0	229,919
Total revenues	8,385,764	616,738	735,413	9,737,915
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	3,708,806	0	117,186	3,825,992
Special instruction	1,183,503	0	0	1,183,503
Other instruction	927,869	0	408,015	1,335,884
	5,820,178	0	525,201	6,345,379
Support services:				
Student services	241,288	0	0	241,288
Instructional staff services	299,352	0	0	299,352
Administration services	833,873	20,590	62,960	917,423
Operation and maintenance of plant services	606,706	0	46,422	653,128
Transportation services	374,940	0	13,977	388,917
	2,356,159	20,590	123,359	2,500,108
Other expenditures:				
Facilities acquisitions	0	1,221,637	1,236	1,222,873
Long-term debt:				
Principal	0	0	145,000	145,000
Interest	0	0	74,558	74,558
AEA flowthrough	333,811	0	0	333,811
	333,811	1,221,637	220,794	1,776,242
Total expenditures	8,510,148	1,242,227	869,354	10,621,729
Deficiency of revenues under expenditures	(124,384)	(625,489)	(133,941)	(883,814)
Other financing sources (uses):				
Transfer in	0	0	317,414	317,414
Transfer out	(39,655)	(277,759)	0	(317,414)
Issuance of revenue bonds	0	1,100,000	0	1,100,000
Total other financing sources (uses)	(39,655)	822,241	317,414	1,100,000
Net change in fund balances	(164,039)	196,752	183,473	216,186
Fund balance beginning of year	155,735	1,306,164	256,813	1,718,712
Fund balance end of year	\$ (8,304)	1,502,916	440,286	1,934,898

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 216,186

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,914,801	
Depreciation expense	<u>(410,047)</u>	1,504,754

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (4,332)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (1,100,000)	
Repaid	<u>145,000</u>	(955,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (11,095)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,624

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(1,715)	
Early retirement	<u>68,318</u>	<u>66,603</u>

Changes in net assets of governmental activities (page 15) \$ 824,740

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise Fund	Activities:
	School	Internal
	Nutrition	Service
Assets		
Cash and pooled investments	\$ 30,465	8,388
Due from other governments	18	0
Inventories	18,072	0
Capital assets, net of accumulated depreciation(Note 6)	49,624	0
Total Assets	98,179	8,388
Liabilities		
Salaries and benefits payable	9,863	0
Unearned revenue	10,671	0
Total Liabilities	20,534	0
Net Assets		
Invested in capital assets	49,624	0
Unrestricted	28,021	8,388
Total Net Assets	\$ 77,645	8,388

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: <u>Enterprise Fund</u> School Nutrition	Governmental Activities: Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 264,371	57,399
Operating expenses:		
Support services:		
Operation and maintenance of plant services:		
Services	272	0
Non-instructional programs:		
Salaries	138,343	0
Benefits	70,243	61,731
Services	7,089	0
Supplies	203,720	0
Other	499	0
Depreciation	10,761	0
Total operating expenses	430,927	61,731
Operating loss	(166,556)	(4,332)
Non-operating revenues:		
State sources	5,132	0
Federal sources	151,333	0
Interest income	452	0
Total non-operating revenues	156,917	0
Change in net assets before other financing sources	(9,639)	(4,332)
Other financing sources		
Capital contribution	1,500	0
Change in net assets	(8,139)	(4,332)
Net assets beginning of year	85,784	12,720
Net assets end of year	\$ 77,645	8,388

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund	Governmental Activities Internal Service
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 269,082	0
Cash received from miscellaneous operating activities	0	57,399
Cash payments to employees for services	(203,110)	(61,731)
Cash payments to suppliers for goods or services	(173,690)	0
Net cash used in operating activities	(107,718)	(4,332)
Cash flows from non-capital financing activities:		
State grants received	5,132	0
Federal grants received	115,841	0
Net cash provided by non-capital financing activities	120,973	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,628)	0
Cash flows from investing activities:		
Interest on investments	452	0
Net increase(decrease) in cash and cash equivalents	10,079	(4,332)
Cash and cash equivalents at beginning of year	20,386	12,720
Cash and cash equivalents at end of year	\$ 30,465	8,388
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating loss	\$ (166,556)	(4,332)
Adjustments to reconcile operating loss to net cash provided used in operating activities:		
Commodities consumed	35,474	0
Depreciation	10,761	0
Decrease in inventories	2,416	0
Decrease in accounts receivable	76	0
Increase in salaries and benefits payable	5,476	0
Increase in unearned revenue	4,635	0
Net cash provided used in operating activities	\$ (107,718)	(4,332)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 30,465	8,388
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2008, the District received Federal commodities valued at \$35,474.		
During the year ended June 30, 2008, the Nutrition Fund received capital contributions from the General Fund valued at \$1,500.		

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	<u>\$          826,655</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	817,132
Unreserved	<u>9,523</u>
TOTAL NET ASSETS	<u><u>\$          826,655</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>Private- Purpose Trust</u>
Additions:	
Local sources:	
Interest income	<u>\$          2,487</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>          29,681</u>
Change in net assets	(27,194)
Net assets beginning of year	<u>         853,849</u>
Net assets end of year	<u><u>\$         826,655</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
COMPONENT UNIT  
JUNE 30, 2008

	<u>Osage Education Foundation</u>
Assets	
Cash and cash equivalents	\$ 77,772
Certificates of deposit	<u>156,396</u>
Total Assets	<u>\$ 234,168</u>
 Total Liabilities	 <u>-</u>
Net Assets	
Reserved for scholarships	56,561
Unreserved net assets	<u>177,607</u>
Total net assets	<u>234,168</u>
 Total Liabilities Net Assets	 <u>\$ 234,168</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
 CHANGES IN NET ASSETS - CASH BASIS  
 COMPONENT UNIT  
 YEAR ENDED JUNE 30, 2008

	<u>Osage Education Foundation</u>
Support and Revenue:	
Interest	\$ 16,058
Construction contributions	1,876,736
Scholarship contributions	26,052
Other	4,265
Total support and revenue	<u>1,923,111</u>
Expenses:	
Supplies	3,298
Scholarships	7,800
Grants	10,914
Construction services	2,058,936
Postage	36
Other	605
Total expenses	<u>2,081,589</u>
Deficiency of support and revenue under expenses	(158,478)
Net assets beginning of year	<u>392,646</u>
Net assets end of year	<u>\$ 234,168</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Osage Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Osage, Orchard and Mitchell, Iowa and the predominate agricultural territory in Mitchell and Floyd Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Osage Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These government financial statements present the Osage Community School District (the primary government) and the Osage Education Foundation (its component unit). The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The Osage Education Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of giving financial assistance to the Osage Community School District and granting scholarships to its students who will attend community colleges and universities. The Foundation is governed by a Board of Directors approved by the Osage Community School Board.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mitchell County Assessors' Conference Board.

## B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following nonmajor proprietary fund:

The District's proprietary funds is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.



The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 7,579

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

Type	Fair Value
Certificates of deposit	\$ 535,000

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

### (3) Interfund Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
	Local Option Sales	
Debt Service	and Service Tax	\$ 277,759
Debt Service	General	39,655
Total		\$ 317,414

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Activity	\$ 4,387

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 743,379	11,145	741,000	11,038
2008-09A	6/26/08	2/29/09	1,016,215	385	1,008,000	297
Total			\$ 1,759,594	11,530	1,749,000	11,335

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

## (6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 422,000	0	0	422,000
Construction in progress	477,356	1,429,188	0	1,906,544
Total capital assets not being depreciated	899,356	1,429,188	0	2,328,544
Capital assets being depreciated:				
Buildings	7,195,335	434,950	0	7,630,285
Improvements other than buildings	98,624	23,909	0	122,533
Machinery and equipment	2,647,603	26,754	44,340	2,630,017
Total capital assets being depreciated	9,941,562	485,613	44,340	10,382,835
Less accumulated depreciation for:				
Buildings	2,470,817	224,901	0	2,695,718
Improvements other than buildings	7,564	6,235	0	13,799
Machinery and equipment	1,745,660	178,911	44,340	1,880,231
Total accumulated depreciation	4,224,041	410,047	44,340	4,589,748
Total capital assets being depreciated, net	5,717,521	75,566	0	5,793,087
Governmental activities capital assets, net	\$ 6,616,877	1,504,754	0	8,121,631

	Balance Beginning of Year	Increases	Decreases	Balance End Of Year
Business-type activities:				
Machinery and equipment	\$ 162,120	5,128	3,225	164,023
Less accumulated depreciation	106,863	10,761	3,225	114,399
Business-type activities capital assets, net	\$ 55,257	(5,633)	0	49,624

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 90,255
Other	12,934
Support services:	
Administration	4,754
Operation and maintenance of plant services	2,656
Transportation services	68,312
	178,911
Unallocated depreciation	231,136
Total governmental activities depreciation expense	\$ 410,047
Business-type activities:	
Food services	\$ 10,761

(7) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 445,000	0	145,000	300,000	145,000
Revenue Bonds	520,000	1,100,000	0	1,620,000	75,000
Energy Loan Notes	835,000	0	0	835,000	80,000
Compensated Absences	886	2,601	886	2,601	2,601
Early Retirement	365,324	0	68,318	297,006	66,253
Total	\$ 2,166,210	1,102,601	214,204	3,054,607	368,854

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonds indebtedness is as follows:

Year	Bond issue dated April 1, 1996			
Ending June 30,	Interest Rate	Principal	Interest	Total
2009	5.15	% \$ 145,000	10,577	155,577
2010	5.25	155,000	5,503	160,503
Total		\$ 300,000	16,080	316,080

Revenue Bonds

During the year ended June 30, 2008, the District issued \$1,100,000 in revenue bonds dated December 6, 2007 for construction costs associated with improvements at the school.

Details of the District's June 30, 2008 revenue bond indebtedness is as follows:

Year	Bond issue dated March 1, 2007			Bond issue dated December 6, 2007			Total		
Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2009	4.35	% \$ 75,000	67,236	-	% \$ 0	46,249	\$ 75,000	113,485	142,236
2010	4.35	80,000	265,511	4.30	205,000	42,893	285,000	308,404	345,511
2011	4.35	85,000	257,999	4.30	210,000	33,970	295,000	291,969	342,999
2012	4.35	90,000	254,948	4.30	220,000	24,725	310,000	279,673	344,948
2013	4.35	95,000	251,249	4.30	230,000	15,050	325,000	266,299	346,249
2014	4.35	95,000	242,118	4.30	235,000	5,052	330,000	247,170	337,118
Total		\$ 520,000	1,339,061		\$ 1,100,000	167,939	\$ 1,620,000	1,507,000	1,859,061

The District has pledged future local option sales and services tax revenues to repay the \$1,620,000 bonds issued March 1, 2007 and December 6, 2007. The bonds were issued for the purpose of defraying a portion of the cost of renovations at the school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general

obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 percent of the local option sales and service tax revenues. The total principal and interest remaining to be paid on the notes is \$3,127,000. For the current year \$18,850 in interest was paid on the bonds and total local option sales and services tax revenues were \$616,738.

The resolution providing for the \$1,620,000 issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made to the Local Option Sales and Service Tax Sinking Fund for the purpose of making the bond principal and interest payments when due.
- c) A separate bond reserve fund will be maintained to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

#### Energy Loan Notes

Details of the District's June 30, 2008 energy loan notes indebtedness is as follows:

Year Ending June 30,	Energy Loan Notes dated March 1, 2007				
	Interest Rate	Principal	Interest	Total	
2009	4.40	% \$ 80,000	36,740	116,740	
2010	4.40	80,000	33,220	113,220	
2011	4.40	85,000	29,700	114,700	
2012	4.40	90,000	25,960	115,960	
2013	4.40	90,000	22,000	112,000	
2014	4.40	95,000	18,040	113,040	
2015	4.40	100,000	13,860	113,860	
2016	4.40	105,000	9,460	114,460	
2017	4.40	110,000	4,840	114,840	
Total		\$ 835,000	193,820	1,028,820	

#### Early Retirement

The District offers a voluntary early retirement plan to all administrator, certified and support staff employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service or twenty years of noncontinuous service to the District. Employees must complete an application for early retirement benefits not later than January 13 of the calendar year in which the first year of early retirement is to commence. Each application submitted is subject to approval by the Board of Education.



Employees that have been granted early retirement benefits may elect to continue participation in the District's group health insurance plan until eligible for Medicare benefits whether or not the employee actually applies for Medicare benefits. The District will continue to pay up to \$427.39 monthly towards the premium for group single health insurance until the employee is eligible for Medicare, dies or fails to pay the balance of the premium that is due to continue coverage whichever is first to occur. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2008 totaled \$68,318.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$309,507, \$287,139 and \$272,762 respectively, equal to the required contributions for each year.

**(9) Risk Management**

Osage Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$333,811 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

As of June 30, 2008, costs of \$1,429,188 had been incurred on various construction contracts for District improvements. When construction is completed, the final cost of the projects will be added to the capital assets.

**(12) Deficit Fund Balance/Net Assets**

The General Fund had a deficit unreserved undesignated fund balance of \$125,911. The District also had a deficit unrestricted net assets balance in the governmental activities of \$468,158.

**(13) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,685,341	264,823	4,950,164	4,862,705	4,862,705	87,459
Intermediate sources	13,500	0	13,500	45,000	45,000	(31,500)
State sources	4,809,155	5,132	4,814,287	4,747,609	4,747,609	66,678
Federal sources	229,919	151,333	381,252	373,976	373,976	7,276
Total revenues	9,737,915	421,288	10,159,203	10,029,290	10,029,290	129,913
Expenditures:						
Instruction	6,345,379	0	6,345,379	6,161,000	6,490,147	144,768
Support services	2,500,108	272	2,500,380	3,479,350	3,479,350	978,970
Non-instructional programs	0	430,655	430,655	425,000	425,000	(5,655)
Other expenditures	1,776,242	0	1,776,242	1,572,277	2,218,475	442,233
Total expenditures	10,621,729	430,927	11,052,656	11,637,627	12,612,972	1,560,316
Deficiency of revenues under expenditures	(883,814)	(9,639)	(893,453)	(1,608,337)	(2,583,682)	1,690,229
Other financing sources, net	1,100,000	1,500	1,101,500	0	0	(1,101,500)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	216,186	(8,139)	208,047	(1,608,337)	(2,583,682)	2,791,729
Balance beginning of year	1,718,712	85,784	1,804,496	2,054,672	2,054,672	(250,176)
Balance end of year	\$ 1,934,898	77,645	2,012,543	446,335	(529,010)	2,541,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District amended its budget one time increasing total expenditures by \$975,345.

During the year ended June 30, 2008, District expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

OSAGE COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds						Total
	Physical			Total		Debt Service	Other Nonmajor Governmental Funds
	Manage-	Student	Equipment	Expendable	Special		
	ment Levy	Activity	Plant and Levy	Trust	Revenue Funds		
Assets							
Cash and pooled investments	\$ 60,095	152,329	46,196	58,842	317,462	124,519	441,981
Receivables:							
Property tax:							
Current year delinquent	2,890	0	71	0	2,961	199	3,160
Succeeding year	215,000	0	6,644	0	221,644	15,415	237,059
Income surtax	0	0	72,816	0	72,816	0	72,816
Total Assets	\$ 277,985	152,329	125,727	58,842	614,883	140,133	755,016
Liabilities and Fund Balances							
Liabilities:							
Interfund payable	\$ 0	4,387	0	0	4,387	0	4,387
Salaries and benefits payable	468	0	0	0	468	0	468
Deferred revenue:							
Succeeding year property tax	215,000	0	6,644	0	221,644	15,415	237,059
Income surtax	0	0	72,816	0	72,816	0	72,816
Total Liabilities	215,468	4,387	79,460	0	299,315	15,415	314,730
Fund balances:							
Reserved for debt service	0	0	0	0	0	124,718	124,718
Unreserved fund balances	62,517	147,942	46,267	58,842	315,568	0	315,568
Total fund balances	62,517	147,942	46,267	58,842	315,568	124,718	440,286
Total Liabilities and Fund Balances	\$ 277,985	152,329	125,727	58,842	614,883	140,133	755,016

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 200,106	0	83,881	0	283,987	14,132	298,119
Other	16,738	405,478	4,062	9,433	435,711	1,386	437,097
State sources	181	0	4	0	185	12	197
TOTAL REVENUES	217,025	405,478	87,947	9,433	719,883	15,530	735,413
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	112,379	0	0	4,807	117,186	0	117,186
Other instruction	0	408,015	0	0	408,015	0	408,015
Support services:							
Administration services	21,340	0	41,620	0	62,960	0	62,960
Operation and maintenance of plant services	46,422	0	0	0	46,422	0	46,422
Transportation services	13,977	0	0	0	13,977	0	13,977
Other expenditures:							
Facilities acquisitions	0	0	1,236	0	1,236	0	1,236
Long-term debt:							
Principal	0	0	0	0	0	145,000	145,000
Interest and fiscal charges	0	0	0	0	0	74,558	74,558
TOTAL EXPENDITURES	194,118	408,015	42,856	4,807	649,796	219,558	869,354
Excess(Deficiency) of revenues over(under) expenditures	22,907	(2,537)	45,091	4,626	70,087	(204,028)	(133,941)
Other financing sources:							
Transfers in	0	0	0	0	0	317,414	317,414
Change in net assets	22,907	(2,537)	45,091	4,626	70,087	113,386	183,473
Fund balances beginning of year	39,610	150,479	1,176	54,216	245,481	11,332	256,813
Fund balances end of year	\$ 62,517	147,942	46,267	58,842	315,568	124,718	440,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
H.S. Booster Club	\$ 55,079	2,334	57,786	(373)
SADD	81	485	175	391
Dramatics	0	1,025	1,025	0
Speech	904	0	127	777
Pop Machine	9,807	9,363	4,589	14,581
Project Prom	6,683	7,765	8,635	5,813
Band Trip	3,046	15,635	7,269	11,412
Chorus Trip	21,909	30,306	17,163	35,052
Cheerleaders	4,329	4,705	3,901	5,133
Magazine Sales	0	21,511	21,511	0
Class of 2008	0	2,172	1,967	205
Class of 2009	0	3,051	3,051	0
Class of 2010	0	485	485	0
Class of 2011	1,409	0	82	1,327
FFA	0	92,511	80,222	12,289
Future Teachers	349	0	257	92
Boys Cross Country Camp	888	918	1,335	471
Annual	4,838	4,502	9,219	121
Spanish	3,338	6,817	1,015	9,140
Student Council	0	9,388	8,645	743
Boys Basketball Camp	428	4,351	3,798	981
Football Camp	5,311	4,217	6,393	3,135
Baseball Camp	818	7,837	5,484	3,171
Wrestling Camp	65	3,886	3,915	36
Girls Basketball Camp	2,475	3,277	2,506	3,246
Volleyball Camp	4,362	7,996	10,255	2,103
Softball Camp	263	18,471	9,833	8,901
Golf	50	0	50	0
Concession Stand	0	36,741	36,741	0
Girls Tennis Camp	0	1,603	1,553	50
National Honor Society	0	314	314	0
Computer	420	319	0	739
Girls Track Camp	0	883	2,655	(1,772)
Boys Track Camp	162	2,724	3,536	(650)
Pepsi Money	6,635	7,500	13,577	558
Football Activity Tickets	286	2,178	20	2,444
FCCLA	13	3,366	2,361	1,018
Golf Camp	430	1,525	902	1,053
Girls Cross Country Camp	232	1,739	1,751	220
Athletics	6,153	61,316	58,126	9,343
Lincoln Pop	1,147	743	972	918
Lincoln Special Projects	0	1,603	1,603	0
Washington Special Projects	0	1,856	1,856	0
Washington Pop	1,596	632	570	1,658
M.S. Student Council	2,461	10,591	9,386	3,666
M.S. Special Olympics	4,512	6,837	1,399	9,950
Total	\$ 150,479	405,478	408,015	147,942

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2008

	Private-Purpose Trust				
	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Alchon Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 783,634	5,851	2,170	35,000	826,655
NET ASSETS					
Reserved for scholarships	774,300	5,832	2,000	35,000	817,132
Unreserved	9,334	19	170	0	9,523
TOTAL NET ASSETS	\$ 783,634	5,851	2,170	35,000	826,655

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2008

	Raub Scholarship	Heiden Scholarship	Neuwohner Scholarship	Alchon Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 2,199	121	167	0	2,487
DEDUCTIONS:					
Instruction:					
Scholarships awarded	29,393	121	167	0	29,681
Change in net assets	(27,194)	0	0	0	(27,194)
Net assets beginning of year	810,828	5,851	2,170	35,000	853,849
Net assets end of year	\$ 783,634	5,851	2,170	35,000	826,655

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND  
 JUNE 30, 2008

Capital Projects Fund			
	Building Projects	Local Option Sales Tax	Total
Assets			
Cash and pooled investments	\$ 781,289	696,813	1,478,102
Due from other governments	0	100,754	100,754
Total Assets	\$ 781,289	797,567	1,578,856
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 75,940	0	75,940
Fund balances:			
Reserved for construction	705,349	0	705,349
Unreserved fund balance	0	797,567	797,567
Total fund balances	705,349	797,567	1,502,916
Total Liabilities and Fund Balances	\$ 781,289	797,567	1,578,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2008

	Capital Projects Fund		
	Building Projects	Local Option Sales Tax	Total
Revenues:			
Local sources:			
Local option sales and service tax	\$ 0	556,887	556,887
Donations	0	5,000	5,000
Interest on investments	30,242	24,609	54,851
Total revenues	30,242	586,496	616,738
Expenditures:			
Current:			
Support services:			
Administration services	20,590	0	20,590
Other expenditures:			
Facilities acquisitions	1,142,637	79,000	1,221,637
Total expenditures	1,163,227	79,000	1,242,227
Excess(Deficiency) of revenues over(under) expenditures	(1,132,985)	507,496	(625,489)
Other financing sources(uses):			
Issuance of revenue bonds	1,100,000	0	1,100,000
Transfer out to debt service	0	(277,759)	(277,759)
Total other financing sources(uses)	1,100,000	(277,759)	822,241
Excess(Deficiency) of revenues over(under) expenditures and other financing sources(uses)	(32,985)	229,737	196,752
Fund balance beginning of year	738,334	567,830	1,306,164
Fund balance end of year	\$ 705,349	797,567	1,502,916

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OSAGE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,603,586	3,701,018	3,329,036	3,128,088	3,130,230
Tuition	284,780	269,587	356,273	335,005	351,671
Other	796,975	896,666	805,274	790,760	640,956
Intermediate sources	13,500	5,320	60,393	61,346	62,442
State sources	4,809,155	4,481,766	4,236,604	4,126,057	3,776,755
Federal sources	229,919	294,409	276,208	166,592	177,334
Total	<u>\$ 9,737,915</u>	<u>9,648,766</u>	<u>9,063,788</u>	<u>8,607,848</u>	<u>8,139,388</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,825,992	3,577,442	3,247,202	3,062,556	3,224,960
Special instruction	1,183,503	1,170,500	1,166,899	1,114,163	1,236,387
Other instruction	1,335,884	1,470,359	1,296,333	1,194,772	913,930
Support services:					
Student services	241,288	259,527	277,336	282,087	250,492
Instructional staff services	299,352	506,278	294,270	312,190	303,819
Administration services	917,423	658,137	799,481	707,799	643,447
Operation and maintenance of plant services	653,128	640,493	631,683	544,878	522,112
Transportation services	388,917	478,265	469,451	291,496	288,899
Non-instructional programs	0	0	0	1,830	9,607
Other expenditures:					
Facilities acquisitions	1,222,873	817,998	347,813	280,178	412,623
Long-term debt:					
Principal	145,000	140,000	130,000	125,000	115,000
Interest	74,558	24,295	37,493	44,079	49,558
AEA flow-through	333,811	318,582	298,926	293,352	290,290
Total	<u>\$ 10,621,729</u>	<u>10,061,876</u>	<u>8,996,887</u>	<u>8,254,380</u>	<u>8,261,124</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Osage Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Osage Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Osage Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Osage Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Osage Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Osage Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Osage Community School District's financial statements that is more than inconsequential will not be prevented or detected by Osage Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Osage Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osage Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Osage Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Osage Community School District and other parties to whom Osage Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osage Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009



OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received. Governmental fixed assets, receivables and payables had no adjustments made.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Due to timing issues related to the transition to a new Business Manager, there was not enough time before the auditors arrived to make the necessary adjustments. The Business Manager will be attending classes for additional training to be able to make the necessary adjustments in the future.

Conclusion - Response accepted.

I-C-08 Exclusive Vendor Contract - We noted during the audit that there is a Money From Pepsi account within the Student Activity Fund where revenue received from an exclusive vendor contract with Pepsi is receipted.

Recommendation - According to guidance provided by the Iowa Department of Education, the Auditor of State and the Attorney General's Opinion dated February 15, 2000, the exclusive vendor contract is allowable, but the revenue from the exclusive vendor contract must be recorded only in the District's General Fund. Under Dillon's Rule, there is no statutory requirement or authority to record the revenue in another fund other than the General Fund.

Once exclusive vendor contract revenues are recorded in the General Fund, they can be subsequently spent for purposes including athletics and other extracurricular activities to the extent the expenditure would be allowable and appropriate from the General Fund. Remaining funds in the Money From Pepsi account should be transferred to the General Fund.

Response - These funds will be transferred to the General Fund.

Conclusion - Response accepted.

I-D-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The procedures will be reviewed and sponsors/fundraisers will provide the office with documentation of their receipts.

Conclusion - Response accepted.

I-E-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however Activity Fund and General Fund purchase orders were completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The purchase order process will be reviewed. The employees will be asked to get the appropriate approval before ordering.

Conclusion - Response accepted.

- I-F-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The Lincoln Pop, Washington Pop and HS Pepsi Machine accounts do not appear to be a fundraiser for a particular student run organization. If this account is not a fundraiser for a student run organization, profits generated in this account should be transferred to the General Fund. If the District's Board of Directors deems that profits from these accounts are a fundraiser for a student run organization, the profits should be placed into the corresponding activity fund account that the fundraiser is intended for. At the end of the fiscal year this account should show a zero balance.

If the Lincoln Pop, Washington Pop and HS Pepsi Machine accounts are money collected from machines for the teachers for break room beverages, then these accounts should not be contained in the Student Activity Fund. These accounts would be more appropriate in the General Fund.

The District writes various checks throughout the year for meal money for students that participate at state events. It was noted that checks were being written in the name of the district only instead of the custodian/sponsor for these events. Checks made out in the name of the district only are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event.

The FCCLA account awards a scholarship from proceeds from fundraising during the year. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

When the District writes checks for scholarship awards, the check is sometimes written to the student only. A better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The use of the pop funds will be reviewed by the District. After review, the funds will be placed where appropriate.

Meal money checks will be written to the custodian/sponsor of the event and the District.

Scholarships will be paid from the Private Purpose Trust Fund to the college/university the student is attending once the student has supplied proof of attendance to the District.

Conclusion - Response accepted.

I-G-08 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.

- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The District will review our current procedures and the auditors' recommendations. Changes will be made in the District's process for gate admissions.

Conclusion - Response accepted.

OSAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the budgeted amount.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates to give to students as prom prizes. Gift cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The Post Prom committee will be advised of the attorney general's opinion and be asked to review this process.

Conclusion - Response accepted.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jolene Hemann, Food Service Director Spouse owns Brumm Construction	Purchased service	\$7,142
Judy Mayer, Superintendent's secretary Spouse owns Mayer's Digging	Purchased service	\$4,505
Lori Randall, Teacher Spouse owns Randall Construction	Purchased service	\$2,470

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the family members of District employees do not appear to cause a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.
- Conclusion - Response accepted.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on line 1 was overstated by 0.3 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We will contact the Iowa Department of Education and the Department of Management .
- Conclusion - Response accepted.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.
- Recommendation - The District should contact the appropriate bank and rectify the situation.
- Response - The financial institution where the certificate of deposit was purchased was contacted and the proper rate of interest is now being received.
- Conclusion - Response accepted.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - The General Fund had a deficit unreserved undesignated fund balance of \$125,911. The District also had a deficit unrestricted net assets balance in the governmental activities of \$468,158. The Student Activity Fund also had three deficit accounts totaling \$2,795.
- Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.
- Response - The District will monitor these funds and work to eliminate the deficits.
- Conclusion - Response accepted.

II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank was contacted and both the front and back of each cancelled check is obtained and retained as required.

Conclusion - Response accepted.